

CLARKE COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2011

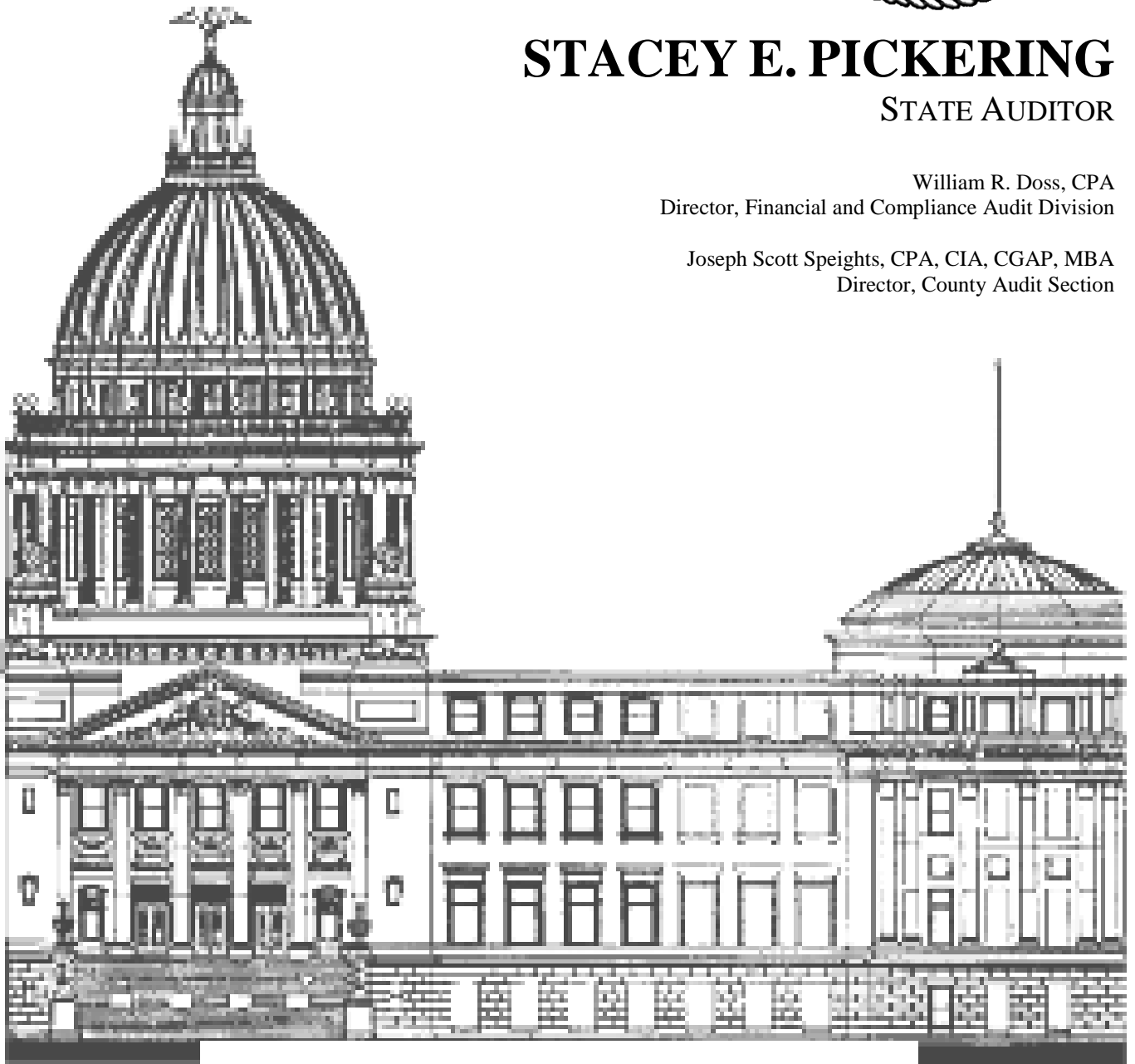


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

December 4, 2012

Members of the Board of Supervisors
Clarke County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2011 financial and compliance audit report for Clarke County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Clarke County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Clarke County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

CLARKE COUNTY
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CLARKE COUNTY

FINANCIAL SECTION

CLARKE COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Clarke County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Clarke County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the county's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable of the Justice Court or the aging of these fines receivable. Due to the nature of the county's records, we were unable to satisfy ourselves as to the fair presentation of fines receivable, net, reported in the General Fund at \$297,847, as of September 30, 2011. Also, because of the nature of the fines receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions of the General Fund.

In our opinion, because of the omission of the discretely presented component units, as discussed in the third paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Clarke County, Mississippi, as of September 30, 2011, or the changes in financial position thereof for the year then ended.

In our opinion, except for the effects of such adjustments if any, as might have been determined to be necessary had we been able to examine evidence to determine the net realizable value of the Justice Court fines receivable for the General Fund as described in the fourth paragraph, the financial statements referred to above present fairly, in all material respects, the respective changes in financial position, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the General Road Fund and the aggregate remaining fund information of Clarke County, Mississippi, as of September 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

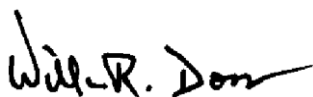
As discussed in Note 2, the county adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2012, on our consideration of Clarke County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Clarke County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clarke County, Mississippi's basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. The Reconciliation of Operating Costs of Solid Waste is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

December 4, 2012

CLARKE COUNTY

FINANCIAL STATEMENTS

CLARKE COUNTY

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CLARKE COUNTY
Statement of Net Assets
September 30, 2011

Exhibit 1

	Primary Government
	Governmental
	Activities
ASSETS	
Cash	\$ 3,047,785
Property tax receivable	7,020,067
Accounts receivable (net of allowance for uncollectibles of \$119,946)	80,500
Fines receivable (net of allowance for uncollectibles of \$800,707)	297,847
Loans receivable	367,698
Intergovernmental receivables	180,524
Other receivables	2,829
Deferred charges - bond issuance costs	9,322
Capital assets:	
Land	258,059
Other capital assets, net	30,573,421
Total Assets	<u>41,838,052</u>
LIABILITIES	
Claims payable	117,174
Intergovernmental payables	150,383
Accrued interest payable	16,074
Deferred revenue	7,020,067
Amounts held in custody for others	153,088
Amounts due within one year:	
Capital debt	590,144
Non-capital debt	211,993
Due in more than one year:	
Capital debt	600,475
Non-capital debt	178,314
Total Liabilities	<u>9,037,712</u>
NET ASSETS	
Invested in capital assets, net of related debt	29,640,861
Restricted:	
Expendable:	
General government	148,433
Debt service	15,499
Public safety	364,239
Public works	667,675
Economic development	34,145
Unemployment compensation	32,167
Unrestricted	1,897,321
Total Net Assets	<u>\$ 32,800,340</u>

The notes to the financial statements are an integral part of this statement.

CLARKE COUNTY
Statement of Activities
For the Year Ended September 30, 2011

Exhibit 2

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,565,260	571,797	9,730		(1,983,733)
Public safety	2,266,286	208,286	506,480	12,500	(1,539,020)
Public works	3,744,681	316,724	594,948	280,376	(2,552,633)
Health and welfare	128,096		32,949		(95,147)
Culture and recreation	22,203			20,776	(1,427)
Conservation of natural resources	132,952		283		(132,669)
Economic development and assistance	188,584		6,500		(182,084)
Interest on long-term debt	72,678				(72,678)
Total Governmental Activities	\$ <u>9,120,740</u>	<u>1,096,807</u>	<u>1,150,890</u>	<u>313,652</u>	<u>(6,559,391)</u>
General revenues:					
Property taxes				\$ 7,287,454	
Road & bridge privilege taxes				216,552	
Grants and contributions not restricted to specific programs				848,921	
Unrestricted interest income				45,259	
Miscellaneous				359,969	
Total General Revenues				<u>8,758,155</u>	
Changes in Net Assets					2,198,764
Net Assets - Beginning					30,588,604
Prior period adjustment					12,972
Net Assets - Beginning, as restated					<u>30,601,576</u>
Net Assets - Ending				\$	<u>32,800,340</u>

The notes to the financial statements are an integral part of this statement.

CLARKE COUNTY
Balance Sheet - Governmental Funds
September 30, 2011

Exhibit 3

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>General Fund</u>	<u>General Road Fund</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
ASSETS				
Cash	\$ 1,849,660	310,588	887,537	3,047,785
Property tax receivable	4,091,145	1,008,018	1,920,904	7,020,067
Accounts receivable (net of allowance for uncollectibles of \$119,946)			80,500	80,500
Fines receivable (net of allowance for uncollectibles of \$800,707)	297,847			297,847
Loans receivable	367,698			367,698
Intergovernmental receivables	109,348	58,676	12,500	180,524
Other receivables	464			464
Due from other funds	2,365	29,658	31,480	63,503
Advances to other funds			7,820	7,820
Total Assets	<u>\$ 6,718,527</u>	<u>1,406,940</u>	<u>2,940,741</u>	<u>11,066,208</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 64,967	22,386	29,821	117,174
Intergovernmental payables	146,668			146,668
Due to other funds	64,853			64,853
Advances from other funds		7,820		7,820
Deferred revenue	4,388,992	1,008,018	2,001,404	7,398,414
Amounts held in custody for others	153,088			153,088
Total Liabilities	<u>4,818,568</u>	<u>1,038,224</u>	<u>2,031,225</u>	<u>7,888,017</u>
Fund balances:				
Nonspendable:				
Loans Receivable	367,698			367,698
Advances			7,820	7,820
Restricted for:				
Debt service			31,573	31,573
Unemployment compensation			32,167	32,167
General government			148,433	148,433
Public safety			364,239	364,239
Public works		368,716	291,139	659,855
Economic development and assistance			34,145	34,145
Unassigned	1,532,261			1,532,261
Total Fund Balances	<u>1,899,959</u>	<u>368,716</u>	<u>909,516</u>	<u>3,178,191</u>
Total Liabilities and Fund Balances	<u>\$ 6,718,527</u>	<u>1,406,940</u>	<u>2,940,741</u>	<u>11,066,208</u>

The notes to the financial statements are an integral part of this statement.

CLARKE COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2011

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,178,191
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$48,539,780.	30,831,480
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	378,347
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(1,580,926)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(16,074)
Deferred charges - bond issuance costs	<u>9,322</u>
Total Net Assets - Governmental Activities	\$ <u><u>32,800,340</u></u>

The notes to the financial statements are an integral part of this statement.

CLARKE COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2011

	<u>Major Funds</u>		Other	Total
	General	General Road	Governmental	Governmental
	Fund	Fund	Funds	Funds
REVENUES				
Property taxes	\$ 4,108,197	1,116,361	2,062,896	7,287,454
Road and bridge privilege taxes		216,552		216,552
Licenses, commissions and other revenue	99,089	652	4,734	104,475
Fines and forfeitures	231,976			231,976
Intergovernmental revenues	1,212,464	878,744	222,255	2,313,463
Charges for services	28,932		469,092	498,024
Interest income	35,587	3,784	5,889	45,260
Miscellaneous revenues	327,052	24,641	8,276	359,969
Total Revenues	<u>6,043,297</u>	<u>2,240,734</u>	<u>2,773,142</u>	<u>11,057,173</u>
EXPENDITURES				
Current:				
General government	2,272,582		273,901	2,546,483
Public safety	2,103,823		383,571	2,487,394
Public works	314,390	1,775,923	1,059,768	3,150,081
Health and welfare	118,982			118,982
Culture and recreation			6,586	6,586
Conservation of natural resources	46,917		86,035	132,952
Economic development and assistance	21,958		129,790	151,748
Debt service:				
Principal	131,477	144,299	505,926	781,702
Interest	23,966	4,596	53,044	81,606
Total Expenditures	<u>5,034,095</u>	<u>1,924,818</u>	<u>2,498,621</u>	<u>9,457,534</u>
Excess of Revenues over (under) Expenditures	<u>1,009,202</u>	<u>315,916</u>	<u>274,521</u>	<u>1,599,639</u>
Net Changes in Fund Balances	<u>1,009,202</u>	<u>315,916</u>	<u>274,521</u>	<u>1,599,639</u>
Fund Balances - Beginning	723,815	52,800	801,937	1,578,552
Fund reclassification	166,942		(166,942)	
Fund Balances - Beginning, as restated	<u>890,757</u>	<u>52,800</u>	<u>634,995</u>	<u>1,578,552</u>
Fund Balances - Ending	<u>\$ 1,899,959</u>	<u>368,716</u>	<u>909,516</u>	<u>3,178,191</u>

The notes to the financial statements are an integral part of this statement.

CLARKE COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2011

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 1,599,639
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that depreciation of \$1,179,916 exceeded capital outlays of \$792,701 in the current period.	(387,215)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss.	(50,013)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	261,929
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	403
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount of debt repayments.	781,702
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The amount of decrease in compensated absences	1,654
The amortization of discount on general obligation bonds	(12,374)
An adjustment to book prior year bond issuance costs	(15,211)
Deferred bond issuance costs	9,322
The decrease in accrued interest payable	<u>8,928</u>
Change in Net Assets of Governmental Activities	\$ <u><u>2,198,764</u></u>

The notes to the financial statements are an integral part of this statement.

CLARKE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2011

Exhibit 5

	Agency Funds
ASSETS	
Cash	\$ 173,131
Intergovernmental receivable	2,365
Due from other funds	3,715
Total Assets	\$ <u>179,211</u>
LIABILITIES	
Amounts held in custody for others	\$ 30,775
Intergovernmental payables	146,071
Due to other funds	2,365
Total Liabilities	\$ <u>179,211</u>

The notes to the financial statements are an integral part of this statement.

CLARKE COUNTY

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CLARKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Clarke County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Clarke County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the county. Accordingly, the financial statements do not include the data of all of the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Clarke County Airport Board
- Clarke County Economic Development District

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues

The Statement of Net Assets presents the financial condition of the governmental activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the county.

CLARKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

General Road Fund – This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds – These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds – These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

CLARKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Clarke County meets this criteria, but has elected to report major general infrastructure assets acquired after September 30, 1980 on the government-wide statements. Therefore, the major general infrastructure assets acquired prior to October 30, 1980, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 30, 1980.

CLARKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

*Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

I. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

J. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

CLARKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the county:

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the county's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the county's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

K. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

L. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

CLARKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

M. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

(2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2011, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

(3) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities – Governmental Funds.

Explanation	Amount
To record capital asset purchased in the prior year that was not included in prior year capital assets.	\$ 12,972

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances.

Explanation	Amount
To reclassify the General County Special Fund and Clarke County Oil Well Fund from Other Governmental Funds to General Fund:	
General Fund	166,942
Other Governmental Funds	(166,942)
Total prior period adjustment	\$ 0

(4) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2011, was \$3,220,916, and the bank balance was \$3,346,711. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

CLARKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2011:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Agency Funds	\$ 2,365
General Road Fund	General	29,658
Other Governmental Funds	General	31,480
Agency Funds	General	<u>3,715</u>
Total		<u>\$ 67,218</u>

The General Fund receivable is an operating loan. All other receivables represent the tax revenue collected but not settled until October, 2011. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General Road Fund	\$ <u>7,820</u>

The amount payable to Other Governmental Funds represents an operating loan. All advances are not expected to be repaid within one year from the date of the financial statements.

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2011, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 95,803
Emergency management performance grants	13,545
Federal emergency management agency grant	58,676
National fire plan grant	<u>12,500</u>
Total Governmental Activities	<u>\$ 180,524</u>

CLARKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

(7) Loans Receivable.

Loans receivable balances at September 30, 2011, are as follows:

Description	Date of	Interest Rate	Maturity	Receivable
Industrial development loan to Griffco				
Plastics	4/6/1998	4.00%	7/1/2013	\$ 163,194
CDBG Block Grant loan to USA fabrics	3/6/2004	3.00%	8/1/2014	214,735
CDBG Block Grant loan to Citadel				
Building Products	7/25/2006	3.00%	7/1/2013	152,963
Total				530,892
Less: Allowance for doubtful accounts				163,194
Net Loans Receivable				\$ 367,698

(8) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2011:

Governmental activities:

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments*	Balance Sept. 30, 2011
<u>Non-depreciable capital assets:</u>					
Land	\$ 258,059				258,059
Total non-depreciable capital assets	258,059	0	0	0	258,059
<u>Depreciable capital assets:</u>					
Infrastructure	62,087,914				62,087,914
Buildings	7,653,735	19,590			7,673,325
Improvements other than buildings	557,557	33,490			591,047
Mobile equipment	6,277,030	625,514	47,776	419,672	7,274,440
Furniture and equipment	949,204	114,107	99,984	12,972	976,299
Leased property under capital leases	929,848			(419,672)	510,176
Total depreciable capital assets	78,455,288	792,701	147,760	12,972	79,113,201
<u>Less accumulated depreciation for:</u>					
Infrastructure	40,301,257	398,033			40,699,290
Buildings	1,474,281	153,858			1,628,139
Improvements other than buildings	191,673	23,588			215,261
Mobile equipment	4,592,463	499,323	40,732	151,082	5,202,136
Furniture and equipment	764,219	57,140	57,015		764,344
Leased property under capital leases	133,718	47,974		(151,082)	30,610
Total accumulated depreciation	47,457,611	1,179,916	97,747	0	48,539,780
Total depreciable capital assets, net	30,997,677	(387,215)	50,013	12,972	30,573,421
Governmental activities capital assets, net	\$ 31,255,736	(387,215)	50,013	12,972	30,831,480

*Adjustments are to move paid capital leases to mobile equipment and to record a capital asset purchased in the prior year.

CLARKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 97,208
Public safety	221,352
Public works	804,937
Health and welfare	9,114
Culture and recreation	15,617
Economic Development	<u>31,688</u>
Total governmental activities depreciation expense	\$ <u><u>1,179,916</u></u>

(9) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2011, to January 1, 2012. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(10) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2011:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Furniture and equipment	\$ 510,176
Less: Accumulated depreciation	<u>30,610</u>
Leased Property Under Capital Leases	\$ <u><u>479,566</u></u>

The following is a schedule by years of the total payments due as of September 30, 2011:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 75,564	12,964
2013	79,978	8,550
2014	84,649	3,879
2015	<u>38,548</u>	<u>209</u>
Total	\$ <u><u>278,739</u></u>	<u><u>25,602</u></u>

CLARKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

(11) Long-term Debt.

Debt outstanding as of September 30, 2011, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Series 2002A – Nazareth Century	\$ 210,000	5.75%	04/2012
Series 2002B – Annex/Jail	535,000	4.15/4.20%	04/2013
Total General Obligation Bonds	<u>\$ 745,000</u>		
B. Capital Leases:			
Courthouse improvements and restoration	<u>\$ 278,739</u>	5.69%	11/2014
C. Other Loans:			
USA Fabrics expansion loan	\$ 219,512	3.00%	08/2014
DECD loan for five fire trucks	186,473	2.00%	03/2015
Citadel Building Products expansion loan	144,344	3.00%	07/2013
Total Other Loans	<u>\$ 550,329</u>		

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2012	\$ 475,000	17,154	263,947	8,436
2013	270,000	5,670	122,883	5,325
2014			136,055	2,129
2015			27,444	161
Total	<u>\$ 745,000</u>	<u>22,824</u>	<u>550,329</u>	<u>16,051</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2011, the amount of outstanding debt was equal to less than 1% of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the county defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the county's financial statements. On September 30, 2011, \$470,000 of bonds outstanding were considered defeased.

CLARKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2011:

	Balance Oct. 1, 2010	Additions	Reductions	Adjustments*	Balance Sept. 30, 2011	Amount due within one Year
Governmental Activities:						
Compensated absences	\$ 28,105		1,654		26,451	
General obligation bonds	1,200,000		455,000		745,000	475,000
Less:						
Deferred charges	(47,178)		(12,374)	15,211	(19,593)	(12,374)
Capital leases	494,109		215,370		278,739	75,564
Other loans	661,661		111,332		550,329	263,947
Total	<u>\$ 2,336,697</u>	<u>0</u>	<u>770,982</u>	<u>15,211</u>	<u>1,580,926</u>	<u>802,137</u>

* Adjustment is to book prior year bond issuance costs.

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, General Road Fund, and Solid Waste Fund.

(12) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

(13) Joint Ventures.

The county participates in the following joint venture:

Clarke County is a participant with Jasper County in a joint venture, authorized by Section 39-3-11, Miss. Code Ann. (1972), to operate the East Mississippi Regional Library System. The joint venture was created to provide free public library service to citizens of the respective counties, and is governed by a five-member board. The two counties rotate board appointments so that each county has a majority of board members in alternate years. Each county is obligated by contract to levy not less than one-half mill tax as provided by Section 39-3-35, Miss. Code Ann. (1972), for the ongoing financial support of the joint venture. For fiscal year 2011, Clarke County contributed \$100,000. Complete financial statements for the East Mississippi Regional Library System can be obtained from the East Mississippi Regional Library, Quitman, Mississippi.

(14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Mid-Mississippi Development District operates in a district composed of the counties of Clarke, Jasper, Lauderdale, Newton, Scott and Smith. The district was organized to foster, encourage and facilitate economic development in the member counties. The county provides only modest financial support for the district.

CLARKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Central Mississippi Emergency Medical Services District is composed of the counties of Attala, Clarke, Copiah, Holmes, Lauderdale, Leake, Madison, Neshoba, Rankin, Scott, Smith, Warren, and Yazoo Counties. The Clarke County Board of Supervisors appoints two of the 26 members of the board. The county provides only modest financial support for the district.

East Central Planning and Development District operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Clarke County Board of Supervisors appoints one of the 15 members of the board of directors. The county appropriated \$12,958 for support of the district in fiscal year 2011.

Jones County Junior College operates in a district composed of the counties of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne. The Clarke County Board of Supervisors appoints two of the 25 members of the college board of trustees. The county appropriated \$244,215 for maintenance and support of the college in fiscal year 2011.

Multi-County Community Service Agency operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Newton and Wayne. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Clarke County Board of Supervisors appoints one of the 24 members of the board of directors. Most of the funding for the entity is derived from federal sources. The county appropriated \$5,000 for support for the district in fiscal year 2011.

Region Ten Mental Health – Mental Retardation Commission operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Clarke County Board of Supervisors appoints one of the nine members of the board of commissioners. The county appropriated \$26,012 for support of the commission in fiscal year 2011.

(15) Defined Benefit Pension Plan.

Plan Description. Clarke County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2011, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2011 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2011, 2010 and 2009 were \$366,898, \$348,524 and \$346,835, respectively, equal to the required contributions for each year.

CLARKE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

CLARKE COUNTY

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CLARKE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,286,354	4,111,094	4,111,094	
Licenses, commissions and other revenue	88,000	97,249	97,249	
Fines and forfeitures	234,000	196,963	196,963	
Intergovernmental revenues	819,343	1,198,344	1,198,344	
Charges for services	23,000	28,932	28,932	
Interest income	35,150	28,298	28,298	
Miscellaneous revenues	298,996	367,227	367,227	
Total Revenues	<u>5,784,843</u>	<u>6,028,107</u>	<u>6,028,107</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,414,615	2,369,579	2,369,579	
Public safety	2,140,924	2,150,828	2,150,828	
Public works	90,174	392,190	392,190	
Health and welfare	136,382	120,178	120,178	
Conservation of natural resources	51,112	47,342	47,342	
Economic development and assistance	26,508	21,958	21,958	
Debt service:				
Principal	161,528	155,444	155,444	
Total Expenditures	<u>6,021,243</u>	<u>5,257,519</u>	<u>5,257,519</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(236,400)</u>	<u>770,588</u>	<u>770,588</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		57,970	57,970	
Transfers in	130,000			
Transfers out		21,116	21,116	
Total Other Financing Sources and Uses	<u>130,000</u>	<u>79,086</u>	<u>79,086</u>	<u>0</u>
Net Change in Fund Balance	(106,400)	849,674	849,674	0
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$ (106,400)</u>	<u>849,674</u>	<u>849,674</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

CLARKE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Road Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,024,000	1,118,439	1,118,439	
Road and bridge privilege taxes	212,000	215,039	215,039	
Licenses, commissions and other revenue		652	652	
Intergovernmental revenues	540,700	583,458	583,458	
Interest income	2,000	3,565	3,565	
Miscellaneous revenues		261,251	261,251	
Total Revenues	<u>1,778,700</u>	<u>2,182,404</u>	<u>2,182,404</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	<u>2,038,700</u>	<u>1,956,963</u>	<u>1,956,963</u>	
Total Expenditures	<u>2,038,700</u>	<u>1,956,963</u>	<u>1,956,963</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(260,000)</u>	<u>225,441</u>	<u>225,441</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	<u>50,000</u>			
Total Other Financing Sources and Uses	<u>50,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	<u>(210,000)</u>	<u>225,441</u>	<u>225,441</u>	
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	
Fund Balances - Ending	<u>\$ (210,000)</u>	<u>225,441</u>	<u>225,441</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

CLARKE COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2011

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	Governmental Fund Types	
	General Fund	General Road Fund
Budget (Cash Basis)	\$ 849,674	225,441
Increase (Decrease)		
Net adjustments for revenue accruals	(42,780)	58,330
Net adjustments for expenditure accruals	202,308	32,145
GAAP Basis	<u>\$ 1,009,202</u>	<u>315,916</u>

CLARKE COUNTY

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CLARKE COUNTY

SUPPLEMENTAL INFORMATION

CLARKE COUNTY

Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2011

Operating Expenditures, Cash Basis:

Salaries	\$	439,005
Contractual Garbage Disposal Fees		117,307
Expendable Commodities:		
Gasoline and petroleum products		82,831
Repair parts		31,054
Supplies, Utilities, & Other Operating Expenses		8,475
Maintenance		5,667
Insurance on equipment		<u>8,904</u>
Solid Waste Cash Basis Operating Expenditures		693,243
Full Cost Expenses:		
Indirect administrative costs		14,406
Depreciation on equipment		<u>154,522</u>
Solid Waste Full Cost Operating Expenses	\$	<u><u>862,171</u></u>

CLARKE COUNTY

SPECIAL REPORTS

CLARKE COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Clarke County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Clarke County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the county's basic financial statements and have issued our report thereon dated December 4, 2012. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The report is qualified on the General Fund because the county did not maintain adequate subsidiary records documenting the existence and valuation of Justice Court fines receivable as required by accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the county is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Clarke County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 11-1 and 11-3 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 11-2 and 11-4 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clarke County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Clarke County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated December 4, 2012, included within this document.

Clarke County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Clarke County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

December 4, 2012



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Clarke County, Mississippi

We have examined Clarke County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2011. The Board of Supervisors of Clarke County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

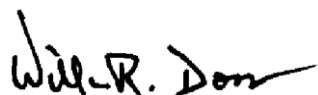
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Clarke County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Clarke County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2011.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Clarke County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Doss". The signature is written in a cursive, somewhat stylized font.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

December 4, 2012

CLARKE COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2011

Our test results did not identify any purchases from other than the lowest bidder.

CLARKE COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2011

Schedule 2

Our test results did not identify any emergency purchases.

CLARKE COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2011

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
06/07/11	Power Pro ambulance cot	\$ 19,960	Stryker Medical

CLARKE COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Clarke County, Mississippi

In planning and performing our audit of the financial statements of Clarke County, Mississippi for the year ended September 30, 2011, we considered Clarke County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Clarke County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated December 4, 2012, on the financial statements of Clarke County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Justice Court Clerk.

1. An accurate bond listing was not maintained.

Finding

As stated in the prior two years' audit reports, the Justice Court Clerk did not maintain a complete and accurate bond listing. During our test work, the clerk provided us with a bond listing that identified \$22,200 in cash bonds. The cash bond bank account only held \$21,421. An inaccurate bond listing could result in the loss or misappropriation of funds.

Recommendation

The Justice Court Clerk should prepare a complete and accurate bond listing. Any unidentified funds should be settled to the Board of Supervisors.

Justice Court Clerk's Response

It is my opinion that establishing a complete and accurate bond listing for this account is not possible. It is agreed that this account needs to be closed and the balance transferred to the county. However, in 2011 our office processed five bonds from this account. To date in 2012, we have processed two. Is it the desire of the county to close this account now or wait until next year?

Chancery Clerk.

2. Bank statements were not reconciled to the fee account cash journal.

Finding

An effective system of internal control should include maintaining a fee journal and reconciling the bank statement to the fee journal. As stated in the prior year audit, the fee journal was not properly posted and the bank statement was not reconciled to the fee journal monthly. Due to the omission of controls, we were unable to verify all the amounts reported on the Chancery Clerk's annual report. Failure to reconcile the bank statement to the fee journal could result in the loss of public funds.

Recommendation

The Chancery Clerk should reconcile the fee account bank account to the cash journal.

Chancery Clerk's Response

I'm working hard to correct this issue.

Board of Supervisors.

3. Deputy Justice Court Clerk was not bonded.

Finding

Section 9-11-29(2), Miss. Code Ann. (1972), requires that the Deputy Justice Court Clerks execute a bond for \$50,000 to be payable, conditioned, and approved as provided by law. One of the Deputy Justice Court Clerks was not bonded. Without a bond executed on the clerk, limitations in the amount available for recovery could be imposed if a loss were to occur.

Recommendation

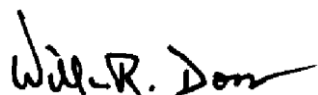
The Deputy Justice Court Clerks should hold the proper bond as defined in the state code.

Board of Supervisors' Response

This was for a new employee and an oversight on our part. We will make sure that it does not happen again in the future.

Clarke County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Doss". The signature is written in a cursive, somewhat stylized font.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

December 4, 2012

CLARKE COUNTY

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CLARKE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

CLARKE COUNTY

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CLARKE COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2011

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental Activities | Unqualified |
| | Aggregate discretely presented component units | Adverse |
| | General Fund | Qualified |
| | General Road Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiency identified? | Yes |
| 3. | Noncompliance material to the financial statements noted? | No |

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

- 11-1. Financial data for component units should be included in the financial statements.

Finding

Generally accepted accounting principles require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for the county's legally separate component units. As reported in the prior years' audit reports, the financial statements do not include the financial data for the county's legally separate component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

The Board of Supervisors should provide the financial data for its discretely presented component units for the inclusion in the county's financial statements.

Board of Supervisors' Response

We will make sure that these audits are done.

CLARKE COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2011

Significant Deficiency

11-2. County should establish controls to ensure the proper preparation of financial statements..

Finding

An effective system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles should include the proper accrual of expenditures, and proper classification of revenues and expenditures/expenses in the financial statements. We noted the following deficiencies in the financial statement preparation and reporting:

- a. The capital lease principal payments of \$71,071 were misclassified on the client's financial statements as capital lease receivable payments.
- b. Property tax receivable was overstated on the client's financial statements by \$51,867.
- c. Transfers of funds were overstated on the client's financial statements by \$25,016.
- d. A total of \$84,721 in federal revenues was not accrued on the client's September 30, 2011 financial statements.
- e. The financial statements recorded \$64,108 in insurance recovery funds. However, it was noted that the assets associated with these funds remained in use on the fixed asset listing. Therefore, an adjustment was made to reclassify the funds.

Audit adjustments to correct these errors were proposed to management and made to the financial statements with management's approval.

Failure to properly accrue expenditures and to properly classify revenues and expenditures/expenses could result in material misstatements in the financial statements.

Recommendation

The Board of Supervisors should implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles that includes the proper accrual of expenditures, proper classification of revenues and expenditures in the financial statements.

Board of Supervisors' Response

We will try to do a better job in making sure that the financial statements are prepared correctly.

Justice Court Clerk

Material Weakness

11-3. Subsidiary records documenting fines receivable and allowance for uncollectibles should be maintained.

Finding

An effective system of internal control over fines receivable records should include maintaining adequate subsidiary records to substantiate the total fines receivable balance. Also, the clerk should receive approval of the allowance for uncollectible accounts from the Board of Supervisors. As stated in the prior two years' audit reports, management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable for Justice Court fines and the aging of fines receivable. Therefore, the Independent Auditor's report is qualified on the General fund, because we were unable to satisfy ourselves as to the fair presentation of the Justice Court fines receivable. The failure to properly maintain adequate subsidiary records of fines receivable could result in the misappropriation or misuse of public funds.

Recommendation

CLARKE COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2011

The Justice Court Clerk should establish procedures documenting the existence and valuation of Justice Court fines receivable, including the aging schedules for the fines receivables and also have the allowance for uncollectible accounts approved by the Board of Supervisors.

Justice Court Clerk's Response

It is my understanding that the problem regarding the aging schedule for the fines receivables was the dating of the report. That will be corrected. I will continue to try to determine the existence and proper evaluation of fines receivable to Justice Court.

Circuit Clerk

Significant Deficiency

- 11-4. Partial payments and restitution should be settled to proper parties on a timely basis.

Finding

An effective system for accounting for the collection of accounts receivable and restitution includes the subsequent timely settlement to the proper parties of these collections. As reported in the prior eight years' audit reports, partial payments and restitution are not settled to the proper parties on a timely basis. As of September 30, 2011, the clerk was holding \$230,175 in the criminal and civil account. Additionally, fines, assessments and other fees are not settled monthly to the county. During the 2011 fiscal year, only two settlements were made to the county. Failure to perform timely settlements of funds collected increases the possibility of loss or misappropriation of public funds.

Recommendation

The Circuit Clerk should settle all collections to the proper parties on a timely basis as required by law.

Circuit Clerk's Response

In November 2011, all unidentified funds were settled to Clarke County. Now that last year's special audit is complete, I am making regular settlements to the county.

CLARKE COUNTY

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CLARKE COUNTY

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

CLARKE COUNTY

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CLARKE COUNTY BOARD OF SUPERVISORS

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DIANE WRIGHT

County Administrator
admin@clarkecountymys.gov

May 31, 2012

Office of the State Auditor
P. O. Box 956
Jackson, MS 39205

Gentlemen:

Clarke County respectfully submits the following summary schedule of prior audit findings relative to federal awards.

Section 3: Federal Award Findings and Questioned Costs

FINDING NO. 10-7: Airport Improvement Program

Award Number: 3-28-0063-010-2010

U. S. Department of Transportation – Federal Aviation Administration

Passed-through Mississippi Department of Transportation, CFDA No. 20.106.

Condition:

Compliance Requirement: Subrecipient monitoring

The Board of Supervisors does not have a system in place to properly monitor its subrecipients. Without an adequate internal control system in place to properly monitor the county's subrecipients, the county does not have any assurance that its subrecipients have properly fulfilled federal compliance requirements. This could result in a misappropriation of federal grant funds.

Recommendation:

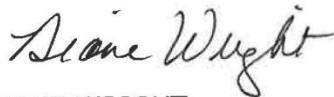
The Board of Supervisors should establish an adequate system of internal control to ensure that subrecipients are properly monitored in accordance with OMB Circular A-133 Compliance Supplement requirements for "Subrecipient Monitoring".

Office of the State Auditor
May 31, 2012
Page 2

Corrective action taken:

In the future, the Board of Supervisors will establish an adequate system of internal control to ensure that subrecipients are properly monitored in accordance with OMB Circular A-133 Compliance Supplement requirements for "Subrecipient Monitoring".

Sincerely,

A handwritten signature in cursive script that reads "Diane Wright".

DIANE WRIGHT
COUNTY ADMINISTRATOR
CLARKE COUNTY, MISSISSIPPI
(601) 776-1012